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Increase Sought In Compensation For Withholding

WASHINGTON — A banking industry task force is expected to ask the federal government for more help in reducing costs and confusion expected from next year's tax withholding system for interest and dividend income.

Bankers have already received a favorable response from the Internal Revenue Service on a related issue — withholding from pensions. The IRS agreed to permit delays in the Jan. 1 effective date for financial institutions that face undue hardships in complying.

As for withholding on interest income, David C. Hastings, a Virginia banker and chairman of the American Bankers Association task force on withholding, said in an interview that the task force met here last week and agreed to seek an increase in compensation to financial institutions for the cost of withholding.

Final recommendations still are being discussed and are likely to be sent to Congress and the Internal Revenue Service by the end of the year, Mr.

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Checking, Time Deposits May Be Overhauled

By JAY ROSENSTEIN

WASHINGTON — The Depository Institutions Deregulation Committee is expected Monday to consider major changes in the checking account and time deposit structure of financial institutions.

Government and industry officials interviewed here expect that the meeting could set the stage for significant new avenues of competition for deposits by commercial banks, thrifts, and money market mutual funds.

The meeting will come only three weeks after the Deregulation Committee voted to authorize a new money market account. The instrument has a minimum deposit of $2,500, has no interest-rate ceiling, and is limited to three checks per month. It becomes effective Dec. 14.

The Monday meeting is intended in part to realign existing instruments to mesh with the new market-rate account authorized at the last session.

One key issue to be discussed is whether to permit an account that is free of rate ceilings and allows unlimited checking and other transfers. The Deregulation Committee may ask for public comment before final action is taken.

It also was learned Thursday that the Deregulation Committee is likely to discuss a major overhaul of the features of many existing time deposits, primarily to make them more competitive with the new money market account.

For example, it was learned that the regulators may consider a plan to drop to $2,500 the minimum denomination on the existing six-month, $10,000 money market certificate; the seven- to 31-day, $20,000 account; and the 91-day, $7,500 account. It is possible that the regulators may take final action Monday to lower these minimum denominations, although some observers expect public comment to be sought first.

The Deregulation Committee also is likely to propose eliminating federal interest rate ceilings on these and other existing time deposits.

Regulators are said to be concerned that the new, highly liquid money market account may prove to be so

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Glass-Steagall Review Top SIA Priority

But Compromises with Banking Appear Unlikely for Now

By LAURA GROSS

BOCA RATON, Fla. — A thorough reexamination of the Glass-Steagall Act is the Securities Industry Association's top legislative priority for next year. But compromise with banking lobbies on any key issues concerning the law separating commercial from investment banking seems unlikely, especially early in the game.

This is the general sense of the securities community gleaned from conversations and interviews with industry leaders attending this year's annual SIA convention, which is being held here through today.

Most securities industry leaders appear to believe it would be foolish for them to advance any opinions in regard to possible compromise areas at this point, before Congress and the administration have spelled out their plans for reexamining Glass-Steagall.

"At this stage of the game, for us to talk about compromise would be irresponsible and premature, especially considering that our board of directors has made no decisions on the subject," noted Edward I. O'Brien, president of the SIA, following a press conference with other industry leaders here Thursday morning.

He said the SIA does not know what Congress and the administration are

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Citibank Sets $5,000 Floor Under Account

By ALICE ARVAN

NEW YORK — Citibank is going after the upper income customer by making the required opening deposit for its new Insured Market Rate Account as high as $5,000. On the other hand, Chase Manhattan Bank is offering a 1% cash bonus on deposits up to $1 million to new customers who open this account before Dec. 31.

A review of the offering terms by major New York money center banks reveals how far-flung and diverse marketing strategies can be in the selling of this new account.

Citibank's decision to require a

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Japanese Economic Success Based on Government Policy

Domestic Policy Has Led Japan to Fiscal Forefront

By TOSHIO NAGAOKA
Deputy Director General,
International Finance Bureau,
Ministry of Finance,
Tokyo, Japan

When foreign critics pose the question of a change in Japan's domestic policy mix, it is usually based on the following schematic recognition: that in the middle of the severe socio-economic difficulties caused by the two oil shocks (stagnant economic growth, high inflation, large balance-of-payments imbalances and high unemployment), Japan alone is maintaining a remarkably good economic performance. According to the OECD's outlook, the figures for Japan's real economic growth stand at 2.9% in 1981, 2.0% in 1982, and 4.0% in 1983 against the member countries' average of 1.2%, 0.5%, and 2.5% respectively. (The relatively optimistic figure of 2.5% for 1983 is based on projected expansion of consumption due to a rise in real income and the phasing out of inventory adjustments.)

Rates of inflation (in consumption deflaters) generally are slowing down, reflecting the restrained wage rises and softening oil and primary products prices, but even so Japan's inflation rate is relatively low at 4.5% in 1981, 3.8% in 1982, and 4.3% in 1983 compared with the member countries' average of 9.6%, 8.3%, and 7.5% respectively.

With regard to the balance of payments, assuming the exchange rate to be fixed at the April level, Japan's current account surplus is forecast to be $6.5 billion this year and $20 billion next year while the OECD countries as a whole are forecast to run deficits of $15 billion this year and $29 billion next year.

With regard to unemployment, while OECD countries as a whole are estimated to be suffering from 8.5% unemployment this year and 9.0% next year, Japan's unemployment rate is supposed to remain at this year's 2.3% through next year.

Although these projections are inseparable from several assumptions, it seems to be true that the Japanese economy possesses a remarkable self-adjusting capability to deal with external shocks like the oil price hikes.

The logic of the criticism of Japan's policy mix can be summarized as follows:

First, before other countries were able to, Japan recovered from the difficulties caused by the oil shocks through its nonaccommodating economic policies and also succeeded in controlling inflation. However, its domestic demand has stagnated and growth is heavily dependent on external demand.

Second, Japan's savings ratio is high for structural reasons. Therefore, execess savings in the private sector lead to excess investment in the external sector (i.e. the current account surplus) unless those excess savings are matched by excess investment by the public sector (i.e. government deficits).

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100 Largest Banks in Japan as of 3/31/82

Rank 3/31/82	Bank, Head Office	Rank 3/31/81	Deposits in $ (thousands)	Deposits in Yen (millions)
1	Dai-Ichi Kangyo Bank, Ltd., Tokyo	(1)	73,032,380	18,009,785
2	Fuji Bank, Ltd., Tokyo	(2)	65,074,136	16,047,282
3	Sumitomo Bank, Ltd., Osaka	(4)	62,926,698	15,517,724
4	Mitsubishi Bank, Ltd., Tokyo	(3)	60,370,178	14,887,286
5	Sanwa Bank, Ltd., Osaka	(5)	58,931,090	14,532,407
6	Norinchukin Bank, Tokyo	(6)	53,439,169	13,178,104
7	Industrial Bank of Japan, Ltd., Tokyo	(7)	50,931,658	12,559,749
8	Mitsui Bank, Ltd., Tokyo	(9)	50,661,269	12,498,001
9	Bank of Tokyo, Ltd., Tokyo	(14)	42,998,276	10,603,375
10	Tokai Bank, Ltd., Nagoya	(8)	42,801,269	10,554,793
11	Long-Term Credit Bank of Japan, Ltd., Tokyo	(10)	41,797,696	10,307,312
12	Mitsubishi Trust & Banking Co., Tokyo	(11)	39,145,539	9,653,290
13	Taiyo-Kobe Bank, Ltd., Kobe	(12)	38,145,863	9,406,770
14	Sumitomo Trust & Banking Co., Ltd., Osaka	(13)	35,826,751	8,834,877
15	Mitsui Trust & Banking Co., Ltd., Tokyo	(15)	33,315,348	8,215,565
16	Daiwa Bank, Ltd., Osaka	(16)	32,902,141	8,113,668
17	Nippon Credit Bank, Ltd., Tokyo	(17)	25,857,388	6,376,432
18	Yasuda Trust & Banking Co., Ltd., Tokyo	(19)	25,321,131	6,244,191
19	Shokochukin Bank, Tokyo	(18)	25,093,276	6,188,002
20	Kyowa Bank, Ltd., Tokyo	(20)	23,911,131	5,896,485
21	Saitama Bank, Ltd., Urawa	(22)	21,679,059	5,346,056
22	Toyo Trust & Banking Co., Ltd., Tokyo	(21)	20,976,946	5,172,915
23	Bank of Yokahama, Ltd	(23)	17,120,306	4,221,868
24	Hokkaido Takushoku Bank, Ltd., Sapporo	(24)	15,716,695	3,875,737
25	Chuo Trust & Banking Co., Ltd., Tokyo	(25)	12,331,160	3,040,864
26	Chiba Bank, Ltd., Chiba	(26)	11,057,019	2,726,661
27	Hokuriku Bank, Ltd., Toyama	(29)	10,386,902	2,561,410
28	Shizuoka Bank, Ltd.	(27)	10,231,054	2,522,978
29	Joyo Bank, Ltd., Mito	(28)	10,193,017	2,513,598
30	Ashikaga Bank, Ltd., Utsunomiya	(30)	9,099,181	2,248,858
31	Bank of Fukuoka, Ltd	(32)	8,842,319	2,180,516
32	Bank of Hiroshima, Ltd	(31)	8,578,135	2,115,368
33	Gunma Bank, Ltd., Maebashi	(33)	7,806,196	1,925,008
34	Hachijuni Bank, Ltd., Nagano	(34)	7,751,216	1,911,450
35	Nishinippon Sogo Bank, Ltd., Fukuoka	(36)	6,425,247	1,584,466
36	Yamaguchi Bank, Ltd., Shimonoseki	(35)	6,346,861	1,565,136
37	77 Bank, Ltd., Sendai	(39)	6,306,066	1,555,076
38	Chugoku Bank, Ltd., Okayama	(37)	6,248,246	1,540,822
39	Hokkaido Bank, Ltd., Sapporo	(41)	6,079,708	1,499,256
40	Nippon Trust & Banking Co., Ltd., Tokyo	(38)	5,942,522	1,465,426
41	Daishi Bank, Ltd., Niigata	(40)	5,743,682	1,499,256
42	Bank of Kyoto, Ltd.	(42)	5,736,119	1,414,527
43	Iyo Bank, Ltd., Matsuyama	(44)	5,463,706	1,347,350
44	Nanto Bank, Ltd., Nara	(43)	5,463,706	1,347,350
45	Hyakujushi Bank, Ltd., Takamatsu	(45)	5,381,584	1,327,079
46	Shiga Bank, Ltd., Otsu	(46)	5,127,585	1,264,465
47	Juroku Bank, Ltd., Gifu	(49)	4,774,588	1,177,413
48	Tokyo Sogo Bank, Ltd.	(47)	4,727,679	1,165,895
49	Kiyo Bank, Ltd., Wakayama	(50)	4,708,025	1,160,999
50	Suruga Bank, Ltd., Numazu	(48)	4,682,798	1,154,778
51	Hyakugo Bank, Ltd., Tsu	(51)	4,649,765	1,146,637
52	Hyogo Sogo Bank, Ltd., Kobe	(52)	4,469,392	1,102,152
53	Kinki Sogo Bank, Ltd., Osaka	(53)	4,358,212	1,074,735
54	Hokkoku Bank, Ltd., Kanazawa	(54)	4,329,111	1,066,819
55	Nagoya Sogo Bank, Ltd.	(56)	4,229,659	1,043,034
56	Kofuku Sogo Bank, Ltd., Osaka	(57)	4,127,392	1,017,815
57	Higo Bank, Ltd., Kumamoto	(55)	4,054,813	999,917
58	Fukuoka Sogo Bank, Ltd.	(59)	3,971,565	979,388
59	Shikoku Bank, Ltd., Kouchi	(58)	3,848,345	949,002
60	Ogakikyoritsu Bank, Ltd., Ogaki	(60)	3,790,280	934,683
61	Heiwa Sogo Bank, Ltd., Tokyo	(61)	3,783,512	933,014
62	Fukui Bank, Ltd.	(63)	3,666,622	904,189
63	Jonan Shinkin Bank, Tokyo	(62)	3,666,204	904,086
64	Toho Bank, Ltd., Fukushima	(64)	3,608,103	889,265
65	Kagoshima Bank, Ltd.	(65)	3,542,113	873,485
66	Oita Bank, Ltd.	(66)	3,336,590	822,803
67	Chuo Sogo Bank, Ltd., Nagoya	(70)	3,301,508	814,152
68	Tokyo Tomin Bank, Ltd., Tokyo	(68)	3,233,354	797,345
69	Awa Bank, Ltd., Tokushima	(67)	3,228,175	796,068
70	San-in Godo Bank, Ltd., Matsue	(69)	3,224,039	795,048
71	Fukutoku Sogo Bank, Ltd., Osaka	(72)	3,212,628	792,234
72	Juhachi Bank, Ltd., Nagasaki	(75)	3,179,931	784,171
73	Iwate Bank, Ltd., Morioka	(71)	3,171,200	782,018
74	Hokuyo Sogo Bank, Ltd., Sapporo	(73)	3,146,176	775,847
75	Hokuetsu Bank, Ltd., Nagaoka	(74)	3,125,478	770,743
76	Shinwa Bank, Ltd., Saseho	(77)	3,044,221	750,705
77	Musashino Bank, Ltd., Omiya	(82)	3,032,928	747,920
78	Aomori Bank, Ltd.	(80)	3,009,343	742,104
79	Akita Bank, Ltd.	(79)	3,006,545	741,414
80	Hiroshima Sogo Bank, Ltd.	(78)	2,985,122	736,131
81	Bank of Osaka, Ltd.	(76)	2,936,172	724,060
82	Yamanashi Chuo Bank, Ltd., Kofu	(81)	2,917,060	719,352
83	Chiba Sogo Bank, Ltd.	(85)	2,885,207	711,492
84	Kyoto Shinkin	(84)	2,881,152	710,492
85	Taisei Sogo Bank, Ltd., Maebashi	(83)	2,874,469	708,844
86	Chukyo Sogo Bank, Ltd., Nagoya	(90)	2,843,297	701,157
87	Daisan Sogo Bank, Ltd., Matsuzaka	(86)	2,720,365	670,842
88	Kyoto Chuo Shinkin	(88)	2,720,365	670,842
89	Yamagata Bank, Ltd.	(87)	2,659,813	655,910
90	Michinoku Bank, Ltd., Aomori	(91)	2,656,257	655,033
91	Okazaki Shinkin	(89)	2,641,768	651,460
92	Ehime Sogo Bank, Ltd., Matsuyama	(92)	2,597,737	640,602
93	Gifu Shinkin	(93)	2,593,597	639,581
94	Chiba Kogyo Bank, Ltd.	(95)	2,538,646	626,030
95	Miyazaki Bank, Ltd.	(94)	2,510,235	619,024
96	Bank of Saga, Ltd.	(96)	2,450,888	604,389
97	Amagasaki Naniwa Shinkin	(97)	2,443,893	602,664
98	Bank of Ryukyus, Ltd., Naha	(—)	2,376,918	586,148
99	Tokiwa Sogo Bank, Ltd., Tokyo	(98)	2,347,777	578,961
100	Tokuyo Sogo Bank, Ltd., Sendai	(99)	2,231,367	550,255

(a)—Deposits include outstanding amounts of banks debentures issued in the Industrial Bank of Japan Ltd., Long-Term Credit Bank of Japan Ltd., Nippon Credit Bank Ltd., Bank of Tokyo Trust Ltd., Norinchukin Bank and Shoko Chukin Bank; of trust in money, loan trust, pension trust and pension fund trust in seven trust banks; money in trust in Daiwa Bank Ltd. and of instalment deposits in sogo banks.
(b)—Compiled for American Banker by the Institute for Financial Affairs, Inc., Tokyo, Japan.
(c)—Cable rate in New York on March 31st, 1982 was 246.60 yen per US$1.

Student Loan Issues Planned

By KENT PIERCE
The Bond Buyer

SAN FRANCISCO — Two Arizona nonprofit corporations, formed recently to service the secondary market for student loans, plan to market a total of $188 million in negotiated bond offerings before yearend.

One of these new corporations, the Arizona Student Loan Finance Corp., was set up in March. It is expecting to close in mid-December on its first issue, a $63.2 million three-year student loan revenue bonds that sold on Nov. 22 and 23. Boettcher & Co. and First National Bank of St. Paul, Minn., co-managed the underwriting, which received an A rating from Standard & Poor's. The term bonds were priced at par to yield 8¼%.

According to James Blanford, an underwriter for Boettcher, the bonds will be secured by the loan revenues, federal reinsurance, and an agreement with First National Bank of St. Paul. The agreement obligates the bank to take out the corporation's loan portfolio if the bonds can not be refinanced upon maturity.

The other new corporation, Arizona Educational Loan Marketing Corp., was established in September and has tentatively scheduled its first issue for sale early this month.

Rauscher Pierce Refsnes Inc. is the lead underwriter of the negotiated offering, which is expected to total $125 million. Leslie O. Lynch, vice president at Rauscher, said the issue is backed by an irrevocable letter of credit from Manufacturers Hanover Trust Co. He expects that security to result in an AAA rating from Standard & Poor's.

Mr. Lynch anticipated that the bonds will have maturities of three to four years, depending on market conditions when the issue is sold. Given the relatively short maturities of each issue, representatives from both corporations said refinancing will be necessary to continue the program.

Waiting for Favorable Conditions

Louis M. Linxwiler, president of Arizona Student Loan, said he would have preferred issuing long-term debt to coincide with the length of the student loans, but current conditions in the long-term market made that impossible. In fact, he noted, the issue would have been approximately $121 million if the market had not turned away when they were sold.

He added, however, that if the market were to become more favorable, "we could come back with the rest of the issue" as early as the first quarter of 1983. Mr. Linxwiler anticipates ample student loan demand to warrant another issue if the market does shift.

Before Arizona Student Loan was set up, Mr. Linxwiler surveyed about 40 student loan lenders throughout the state — commercial banks, savings and loan associations, and credit unions — and found a need for a secondary market for student loans. His findings were reinforced by a feasibility study conducted by Elmer Fox & Co., an accounting firm in Denver. That study concluded that the student loan business was not being fully served.

Bolstered by the evidence, Mr. Linxwiler set about forming a nonprofit corporation that will buy existing student loan portfolios from lenders with the proceeds from their bond sale. This practice, in turn, will be augmented by offering forward commitments to lenders to take out student loans as they are originated. ■

1982 Holiday Savings Funds

Club Pay-outs Compared with 1981 Totals

To provide comparative published data on holiday savings funds, reports of 1982 pay-out totals will be printed as received, with comparable 1981 figures where made available.

	Distribution 1982 $	Distribution 1981 $	Number of Accounts 1982	Number of Accounts 1981	Major types of Account Offered(a) 1982	Major types of Account Offered(a) 1981	Most Common Payment Schedule(b) 1982	Most Common Payment Schedule(b) 1981
Hamilton Bank, Lancaster, Pa.	9,193,943	8,318,433	29,077	28,993	C	C	F	F
United Jersey Bank, Hackensack, N.J.	9,104,874	8,444,100	19,536	21,060	C	C	W	W
New Jersey Bank, West Paterson	8,410,753	7,810,343	22,974	22,600	C	C	W	W
Colonial Bank, Waterbury, Conn.	6,727,999	6,557,200	21,264	22,254	C	C	W	W
United Penn Bank, Wilkes-Barre, Pa.	6,500,000	6,600,000	24,500	25,000	C	C	W	W
Howard Savings Bank, Newark, N.J.	6,453,099	7,052,107	18,454	24,074	P	P	W	W
First Nat'l State Bk of S. Jersey, Pleasantville, N.J.	6,200,000	6,157,789	23,635	24,124	C	C	W	W
York Bank & Trust Co., Pa.	6,026,187	5,903,592	15,343	15,703	C	C	W	W
Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	4,840,608	5,085,083	15,745	17,190	C	C	B	B
Old Stone Bank, Providence, R.I.	4,528,970	5,769,737	14,147	18,123	C	C	W	W
Bank of Commerce, New York	3,963,579	3,575,390	10,491	9,786	C	C	W	W
First Pennsylvania Bank, Bala-Cynwyd	3,703,110	4,011,520	13,117	14,616	C	C	W	W
Merchants Bank, Allentown, Pa.	3,653,145	3,721,778	11,958	12,695	C	C	W	W
Maryland National Bank, Baltimore	3,550,405	3,699,750	14,286	17,426	C	C	W	W
Citizens First National Bank, Ridgewood, N.J.	3,306,244	3,164,873	9,213	10,059	C	C	W	W
American Security Bank, Honolulu	3,063,376	3,231,731	11,694	12,502	C	C	B	B
First-Citizens Bank & Trust Co., Raleigh, N.C.	2,905,571	2,432,838	8,820	8,532	S	S	M	M
Security Trust Co., Rochester, N.Y.	2,879,748	2,921,927	11,160	12,371	C	C	W	W
Midlantic National Bank/Citizens, Englewood, N.J.	2,700,000	2,800,000	7,455	8,670	C	C	W	W
Suburban Bank, Bethesda, Md.	2,632,685	2,741,635	8,837	9,666	C	C	B	B
Pennbank, Titusville, Pa.	2,397,220	1,839,915	17,085	11,836	C	C	F	F
Springfield Institution for Savings, Mass.	2,358,566	N.A.	12,254	N.A.	C	C	W	W
Northwest Bank, Oil City, Pa.	2,041,660	2,616,675	8,459	9,849	C	C	W	W
Bristol Savings Bank, Conn.	1,731,875	1,699,368	7,112	7,914	C	C	W	W
Midland Bank & Trust Co., Paramus, N.J.	1,372,537	1,289,792	3,546	3,402	C	C	W	W
Savings Bank of Utica, N.Y.	1,300,000	1,262,000	5,300	6,600	C	C	W	W
Connecticut Savings Bank, New Haven	1,230,455	1,320,328	4,361	5,227	P	P	F	F
First Buckeye Bank NA, Mansfield, Ohio	1,228,447	1,293,387	4,219	4,987	C	C	F	F
Fifth Third Bank, Cincinnati	1,168,587	1,222,663	4,693	5,395	C	C	W	W
Manufacturers National Bank of Detroit	1,162,090	1,247,000	5,014	5,446	C	C	B	B
American Savings Bank, New Britain, Conn.	1,084,413	1,014,663	2,676	2,651	P	P	W	W
Gary National Bank, Ind.	1,069,040	1,266,302	5,041	6,328	C	C	B	B
Hudson City Savings Institution, N.Y.	1,011,120	949,939	4,055	3,988	P	P	W	W
Pontiac State Bank, Mich.	990,520	1,064,890	2,746	3,127	C	C	W	W
United Kentucky Bank, Louisville	985,925	1,038,605	3,148	3,810	C	C	W	W
Derby Savings Bank, Conn.	941,398	855,554	3,783	3,515	P	P	W	W
Village Savings Bank, Port Chester, N.Y.	880,022	846,749	2,207	2,142	P	P	F	F
Union Planters National Bank, Memphis, Tenn.	809,683	836,543	2,338	2,681	E	E	W	W
Fort Wayne National Bank, Ind.	752,853	789,480	3,102	3,373	C	C	F	F
Union Savings & Trust Co., Warren, Ohio	633,809	690,905	2,238	2,485	C	C	F	F
Dime Savings Bank, Wallingford, Conn.	630,503	592,051	2,032	2,073	P	P	W	W
Extebank, Stony Brook, N.Y.	550,152	541,983	1,962	1,939	C	C	W	W
FMB Luberman's Bank, Muskegon, Mich.	534,782	576,618	1,237	1,663	C	C	B	B
Irwin Union Bank, Columbus, Ind.	527,285	699,722	1,686	2,968	C	C	B	W
National Bank, Sumter, S.C.	415,929	529,329	2,424	2,357	C	C	M	M
Stamford Savings Bank, Conn.	404,781	347,531	1,068	1,172	P	P	W	W
First Nat'l Bk of the Quad Cities, Rock Island, Ill.	394,980	421,225	1,168	1,958	C	C	W	W
Fairfield County Savings Bank, Norwalk, Conn.	336,128	325,753	892	903	P	P	F	F
Jewett City Savings Bank, Conn.	276,064	284,266	1,092	1,180	C	C	W	W
National Savings Bank New Haven, Conn.	257,972	294,103	1,064	1,550	P	P	F	F

(a)-Major Account type: C—Coupon Book; P—Passbook; S—Statement Account; E—Electronic Funds Transfer
(b)-Payment Schedule: W—Weekly; B—Bi-weekly; M—Monthly; F—Flexible
(N.A.)-Not Available.

American Can, PennCorp Sign Definitive Pact

By GORDON MATTHEWS

NEW YORK — American Can Co. has reached a definitive agreement to acquire PennCorp Financial Inc., an insurance underwriting firm.

An agreement in principle was announced in September as part of American Can's effort to become a "major financial services company."

After the merger is completed, PennCorp. will be operated as a unit of Associated Madison Cos. Inc., which was acquired by American Can last April. The latest acquisition will more than double the insurance operations of the company.

PennCorp., based in Santa Monica, Calif., underwrites individual term life insurance. It also sells supplementary accident and health insurance as well as credit and student accident insurance.

In the first nine months of this year, the firm had revenues of $282 million, up 19% from last year. Net income, after taxes, from continuing operations during the period rose 36% over a year ago to $23.3 million.

The merger pact calls for American Can to issue to holders of common stock of PennCorp a total of $262 million, or $13.75 per share, in stated value of preferred stock and principal amount of notes.

Further, American Can and PennCorp intend to acquire, pursuant to an option, an outstanding warrant to purchase PennCorp common stock for $31.4 million in cash.

Each share of the PennCorp stock will be converted into either one-half share of American Can's $3 series convertible preferred stock or 0.1375 of a share of American's $13.75 series preferred stock or $13.75 principal amount of American's 13¼% notes.

The $3 series convertible preferred will have a stated value and liquidation preference of $27.50 per share and a cumulative annual dividend of $3 per share, payable quarterly. Such shares will be convertible into 0.868 share of American common.

The $13.75 series preferred stock will have a stated value and liquidation preference of $100 per share and a cumulative annual dividend, payable quarterly, of $13.75 per share. Such shares will not be convertible into American's common stock.

The 13¼% notes will have an annual interest rate of 13¼%, payable semiannually, and will be redeemable at par after seven years and will mature in 10 years.

Besides PennCorp and Associated Madison, which is also a holding company for Mass Marketing Systems International and Triad Life Insurance Co., American Can has also acquired Transport Life Insurance of Fort Worth.

The acquisition of PennCorp will increase to approximately $40 billion the combined life insurance in force of American Can's financial services sector. This volume of insurance will rank it among the top 35 insurance firms in the nation. ■

Raleigh, N.C., BHC

RICHMOND, Va. — The Federal Reserve Bank of Richmond has approved the application of First-Citizens Corp., Raleigh, N.C., to become a bank holding company by acquiring the successor by merger to First-Citizens Bank & Trust Co., Raleigh. ■

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NOTE

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